

Review of State Spending 2012 Update

Study Mandate

- JLARC to annually review State spending over prior 10 fiscal years (FY 2003 – FY 2012)
 - Identify largest & fastest growing agencies and programs
 - Identify causes of expenditure growth
- 12th report in series

Code of Virginia § 30-58.3

In Brief

Virginia's total operating budget increased 62% over the last 10 years: 35% in general funds and 86% in non-general funds.

Over the last two fiscal years, the State's budget increased as a result of growth in both the general and non-general fund. Overall growth remains concentrated in a few core agencies and programs.

In This Presentation

Factors contributing to growth

Agencies accounting for the most growth

Programs accounting for the most growth

Many Factors Contribute to Overall Budget Growth

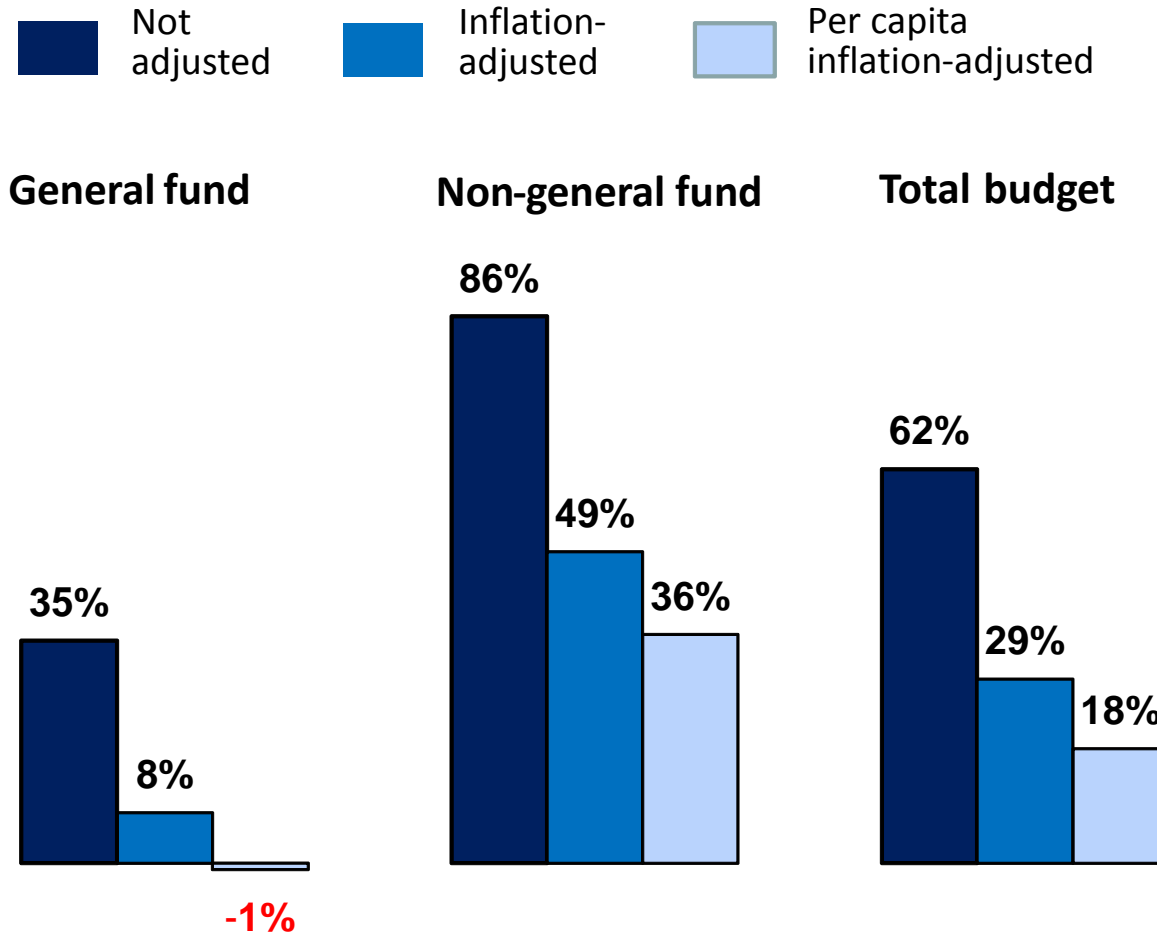
- Growing population and economy
- Increasing agency workloads and costs
- Public policy decisions to initiate, expand, change, or diminish State government programs and activities
- Inclusion of non-general funds in State budget

Virginia's Population & Economic Growth Outpaced National Trends (FYs 2003-2012)

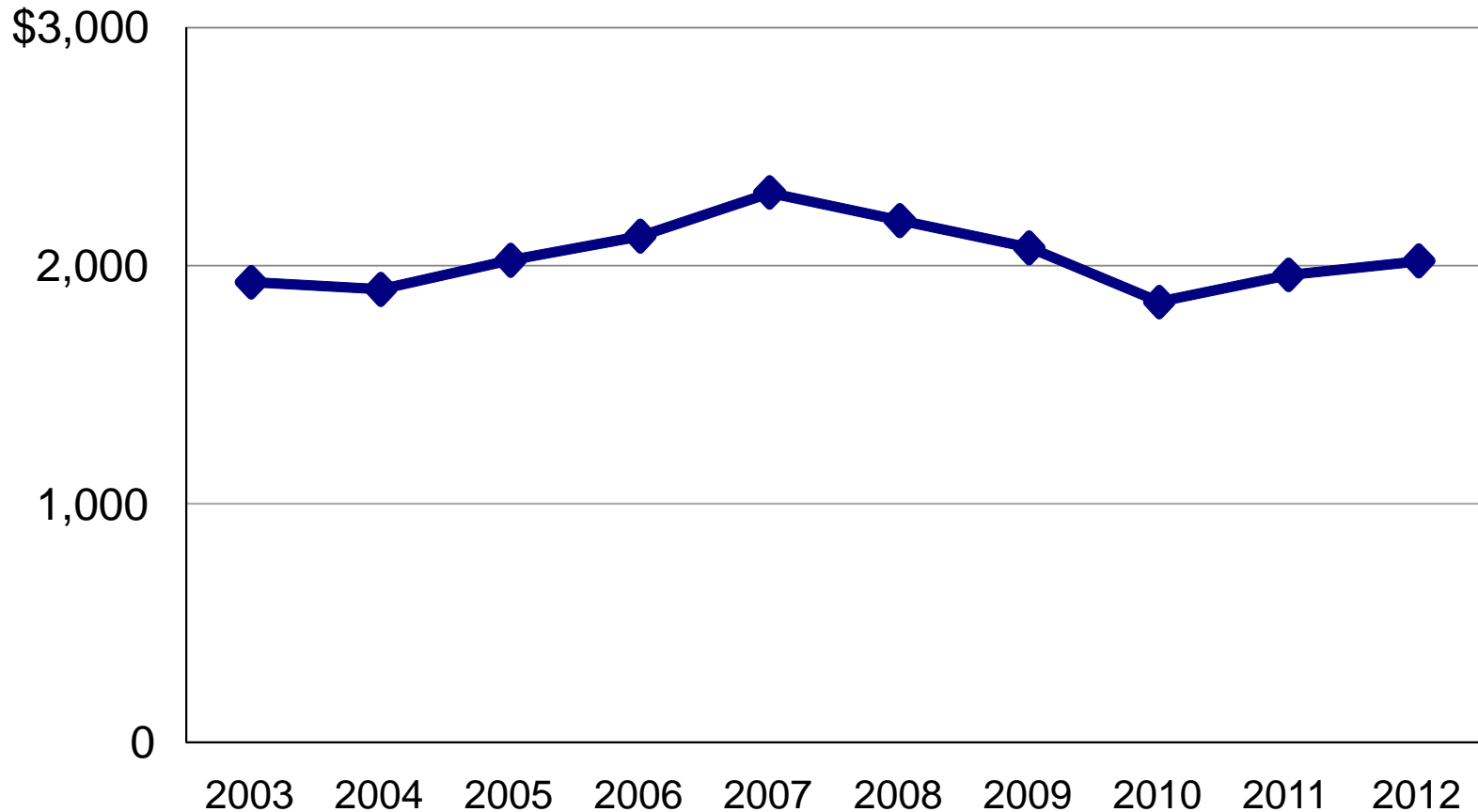


* 2003-2011

Budget Growth After Adjusting for Inflation & Population Growth (FYs 2003–2012)



General Fund Appropriations on a Per Capita Inflation-Adjusted Basis



Other Factors Also Contribute to Budget Trends

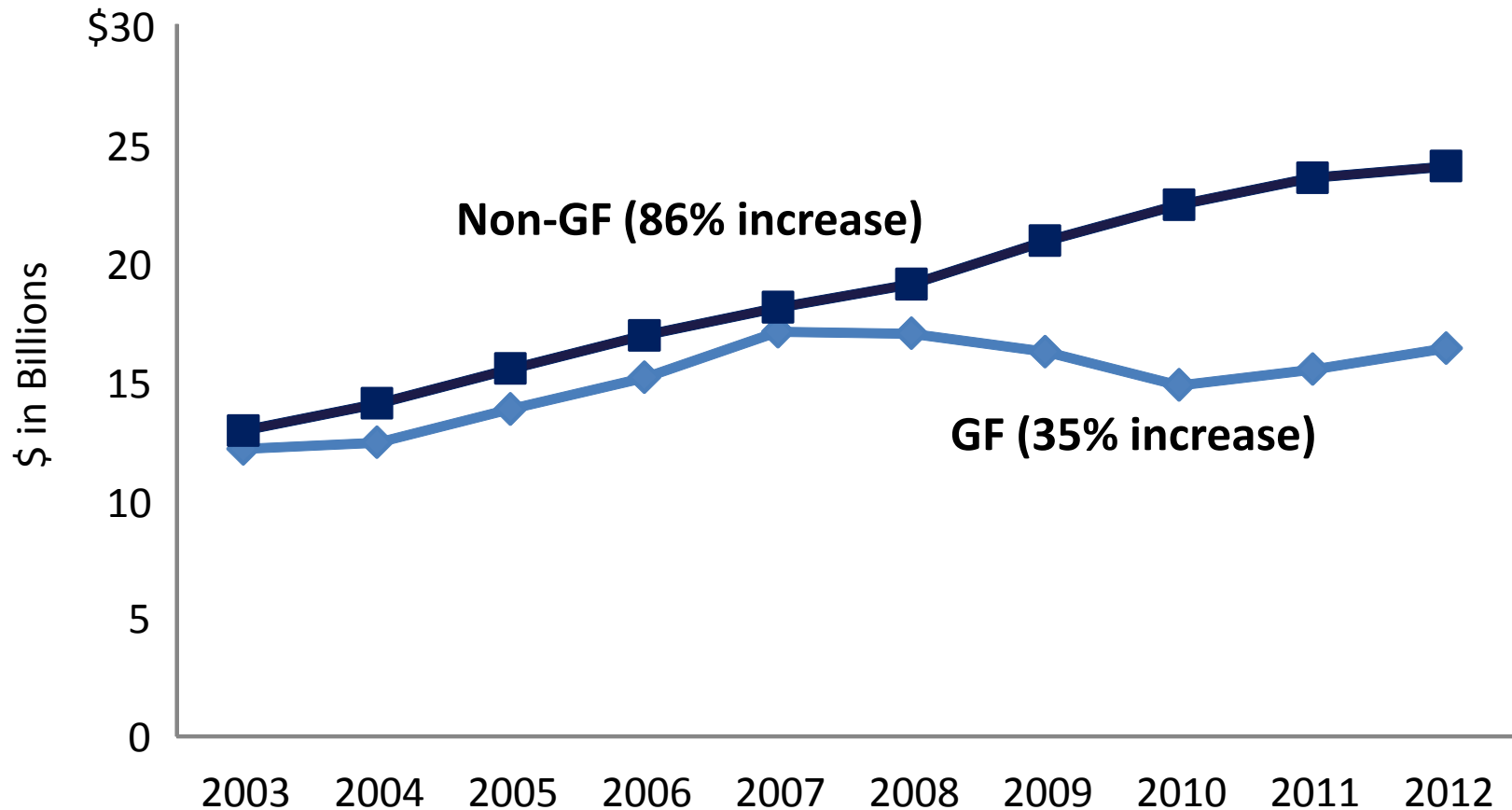
- Agency budgets are driven by
 - Changes in workload
 - Policy decisions to change programs
 - Staffing & funding levels
 - Increased use of technology
- Federal funds more than doubled over last 10 years
 - \$3.1 billion in 2003 vs. \$6.3 billion in 2012
 - Federal Stimulus (ARRA) funds--see next slide

Virginia Received More Than \$1 Billion in Federal ARRA Funds in FYs 2010 & 2011

State Agency or Program	FY 2010 (\$ millions)	FY 2011 (\$ millions)
DMAS (Medicaid)	\$746.4	\$713.6
DOE (Direct Aid for K-12)	584.2	122.9
Institutions of Higher Education	75.0	201.7
Flexible Spending	109.5	---
Justice Assistance Grant (Sheriffs)	23.3	---
Total ARRA Funds Received	\$1,538.4	\$1,038.2

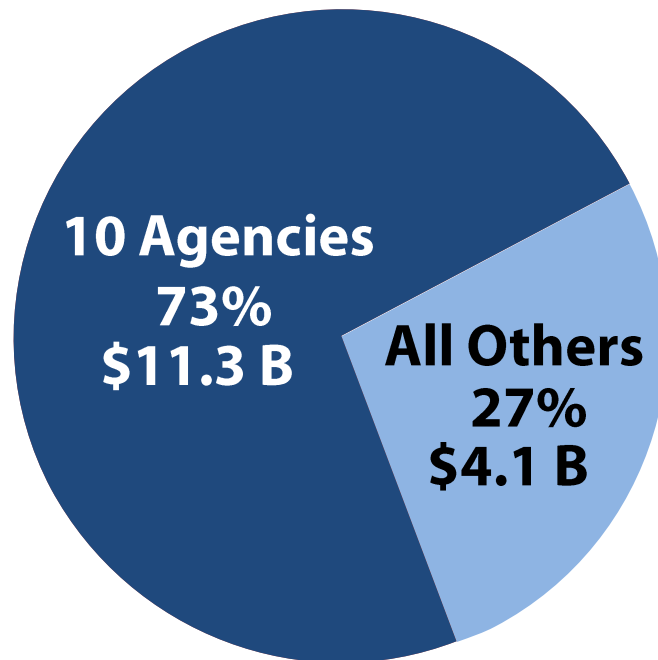
Note: There were no new federal ARRA funds in FY 2012.

Non-General Funds Grew Faster Than General Funds Over Last 10 Years



Note: Dollars not adjusted for inflation or population growth

Total Appropriations: A Few Agencies Accounted for Most Growth (FYs 2003–2012)



**Total Appropriations Growth
= \$15.4 Billion**

Ten Highest Growth Agencies (FYs 2003-2012)

	Agency	Growth (\$ in millions)	Growth (%)	% of Total Growth
1	DMAS	\$3,692.8	99%	24%
2	VDOT	2,212.3	86	14
3	DOE (Direct Aid)	1,665.0	36	11
4	UVA	945.9	67	6
5	VCCS	890.7	176	6
6	DGS	474.4	33	3
7	GMU	397.3	117	3
8	VCU	364.3	67	2
9	Va Tech	358.6	59	2
10	VEC	344.4	72	2
	Total, Top 10	\$11,345.8	70%	73%

General Fund Appropriations: A Few Agencies Accounted for Most Growth (FYs 2003-2012)

- **Total GF growth = \$4.2 Billion**
 - 65% of growth due to top 3 agencies
 - 79% of growth due to top 10
- **Overall GF growth rate = 35%**
 - Higher for 22 agencies
 - Declined for 13 agencies
 - Lower than inflation (25%) for 41 agencies

(See pages 12, 13, 16 of the report for lists of agencies)

High Dollar GF Growth Agencies (FYs 2003-2012)

	Agency	Growth (\$ in millions)	Growth (%)	% of Total Growth
1	DMAS	\$1,579.2	88%	37%
2	DOE (Direct Aid)	967.9	25	23
3	DOC	211.5	29	5
4	DBHDS	165.6	40	4
5	DSS	111.9	42	3
6	Compensation Board	102.2	21	2
7	CSA	82.9	51	2
8	VCCS	62.1	21	1
9	Va State Police	55.5	34	1
10	ODU	29.6	37	1
	Total, Top 10	\$3,368.4	41%	79%

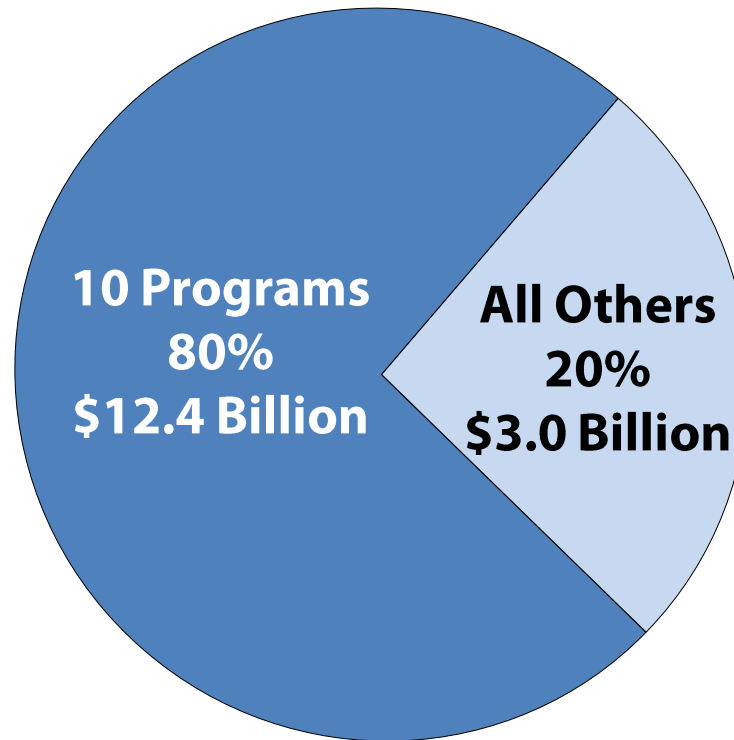
High GF Growth Rate Agencies (FYs 2003-2012)

	Agency	Growth (\$ in millions)	% of Total Growth	Growth (%)
1	DHCD	\$26.4	1%	118%
2	Indigent Defense Commission	20.5	<1	93
3	DMAS	1,579.2	37	88
4	Supreme Court	13.6	<1	78
5	Eastern Va Med School	8.1	<1	65
6	Comprehensive Services (CSA)	82.9	2	51
7	Magistrate System	9.6	<1	51
8	Va School for Deaf & Blind (Staunton)	3.0	<1	49
9	Va Tourism Authority	6.4	<1	48
10	J&DR District Courts	24.7	1	45

High Non-GF Growth Rate Agencies (FYs 2003-2012)

	Agency	Growth (\$ in millions)	% of Total Growth	Growth (%)
1	Va College Savings Plan	\$268.6	2%	7,350%
2	Department of Accounts	35.4	<1	1,148
3	VCCS	828.6	7	384
4	Dept Conservation & Recreation	64.6	<1	315
5	Department of Veteran Services	29.6	<1	250
6	Department of Emergency Mgt	27.5	<1	236
7	Dept Rail & Public Transp	251.4	2	201
8	Virginia Port Authority	87.6	<1	184
9	Department of Military Affairs	25.8	<1	160
10	GMU	376.9	3	158

Total Appropriations: A Few Programs Accounted for Most Growth (FYs 2003–2012)



**Total Appropriations Growth
= \$15.4 Billion**

Ten Highest Growth Programs (FYs 2003-2012)

	Program	Change (\$ millions)	% of Total
1	Medical Program Services (Medicaid)	\$3,491.4	23%
2	Financial Assistance for Public Ed (SOQ)	2,823.8	18
3	Higher Ed: Education & General Programs	1,393.3	9
4	Highway System Acquisition & Construction	1,129.0	7
5	State Health Services	925.9	6
6	Higher Ed: Auxiliary Services	632.0	4
7	Higher Ed: Student Financial Assistance	598.9	4
8	Highway System Maintenance	547.2	4
9	Higher Ed: Financial Assistance (E&G Progs)	484.2	3
10	Bond & Loan Retirement & Redemption	365.7	2
	Total, Top 10	\$12,391.4	80%

Key Findings

- Virginia's budget grew 62% in nominal terms*
FYs 2003-2013 (35% in general funds, 86% in non-general funds)
 - After adjusting for inflation and population ...
 - Overall budget grew 18%
 - General fund declined 1%
 - Non-general funds grew 36%
- In nominal terms, the general fund declined three years in a row (FYs 2008-2010)

* without adjusting for inflation or population growth

Key Findings (continued)

- Many factors contribute to budget growth
 - Population growth
 - Changes in the economy
 - Growth in non-general funds
 - Growing agency caseloads
 - Policy choices
- Budget growth was concentrated in a few agencies & programs

Appendix: Non-General Fund Revenues Appropriated Through State Budget Process

Federal funds

Revenues from motor vehicle
and gasoline taxes

Hunting and fishing
license fees

Fees for professional
registration and licensing

Court-ordered fines, fees,
forfeitures

Unemployment compensation
payroll tax

Child support payments from
non-custodial parents

College tuition payments made
by students & parents

College savings plan

ABC and Lottery ticket sales

Payments by State employees
for health insurance

Fees for State hospital services

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